



## Further Education Loans

Standard Note: SN/SP/6377  
Last updated: 5 July 2012  
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Section: Social Policy Section

This note discusses the government's proposals to introduce loans for further education courses from September 2013. These loans will be called **24+ Advanced Learning Loans** and they will apply to all courses at level 3/4 for learners aged 24 and over. Loans will cover the learner fee contribution only and will not be available for maintenance. Fee remission will be removed for all learners starting new courses at level 3 and above from 2013/14. These loans will be repaid on an income-contingent basis in a similar fashion to higher education loans.

This note outlines the background to these changes, gives details of the scheme and contains comment on the proposals.

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## 1 Background

In September 2006 the Labour government introduced a national entitlement to fee remission for a first full level 2<sup>1</sup> qualification for eligible adults of 19 years of age and over. Following this in August 2007 the government extended the entitlement to cover free education for 19-25 year-olds studying for their first level 3<sup>2</sup> qualification (two 'A' levels or equivalent).<sup>3</sup>

In October 2010 the Coalition government's skills strategy document, [Skills for Sustainable Growth Strategy 2010](#) proposed changes to the national entitlement:

We will fully fund a first full Level 2 or Level 3 qualification for those aged 19 up to 24 who don't yet have one, and support them in making the transition from education to work.<sup>4</sup>

These changes were brought into effect in the *Education Act 2011* section 68 which amended section 88 of *Apprenticeships, Skills, Children and Learning Act 2009*. Adults over 24 would therefore lose the entitlement to fee remission for a first full level 2 qualification and fee remission for specified qualifications at level 3 were restricted to students aged over 19 and under 24. These changes were discussed in the library research paper 11/14 [Education Bill](#) p67.

Until September 2011 adults studying for a first level 2 or 3 qualification were also eligible for [Adult Learning Grants](#) (ALGs) of up to £30 per week to help with the costs of studying.

## 2 Current position on FE fees

The current position with regard to fees for further education is set out on the Directgov website at [Learning for Free](#) :

If you don't already have GCSEs, A levels or equivalent qualifications, you may be able to study for them without having to pay any tuition fees.

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<sup>1</sup> Level 2 is GCSEs at A-C or equivalent

<sup>2</sup> Level 3 is A level or equivalent

<sup>3</sup> Department for Children, Schools and Families News Release "[Free training for under 25s – Rammell](#)" 22 May 2007

<sup>4</sup> [Skills for Sustainable Growth Strategy 2010](#) p9

For learners starting their course in the 2011/12 academic year the Government may meet the tuition costs for:

- a course which leads to your first full Level 2 qualification
- a course which leads to your first full Level 3 qualification, if you're under 25

For learners starting their course in the 2012/13 academic year the Government may meet the tuition costs for:

- a course which leads to your first full Level 2 qualification if you're under 24
- a course which leads to your first full Level 3 qualification if you're under 25

Currently therefore students under 25 may be eligible for a free first full level 3 qualification. Students over 25 and students taking level 4 qualifications and above are liable to contribute towards fees, the government currently subsidises fees by up to 50 per cent.

Some students on prescribed benefits taking certain types of specified courses may be eligible for fee remission.

### **3 FE loans proposals**

In November 2010 the Department for Business, Innovation and Skills (BIS) published [\*Further Education – New Horizon Investing in Skills for Sustainable Growth\*](#), this document announced a new system of loans for FE courses

We will introduce new fee loans for FE, supported by Government, from the 2013/14 academic year to help people aged 24 or over undertaking a level 3 or higher qualification to access the funds they need to gain intermediate and higher-level skills. It is only fair for those who benefit the most from training to make a greater contribution to the costs of their course, but also only fair for them to make this contribution when they are indeed realising those benefits and earning a good salary. Separate funding provision has been made available for these loans: £129m in 2013-14 and £398m in 2014-15.

We are proposing that fee loans are implemented in line with the following principles:

- Lifelong Learning Accounts will provide access to information on funding for training, including information on fee loans.
- Learners aged 24 or over undertaking Level 3 and higher qualifications will have access to fee loans.
- Fee loans will be available to individuals irrespective of whether they are training in or outside the workplace through an approved training provider.
- The loan will be repaid on an income-contingent basis in line with the recently-announced approach for Higher Education fee loans. This includes a repayment threshold of £21,000 and writing-off any outstanding loan amount after a period of 30 years.

The policy was developed in subsequent documents: in August 2011 BIS issued a consultation document [\*New Challenges, New Chances: Next Steps in Implementing the Further Education Reform Programme Further Education Loans\*](#), then in December 2011 BIS

confirmed that loans would be introduced in another publication, *Further Education and Skills System Reform Plan: Building a World Class Skills System*.

A summary of the current policy position was set out in the *Final Equality Impact Assessment* published on 8 June 2012:<sup>5</sup>

### **Description of the policy**

The Government has prioritised public investment in further education to support young people and those with low skills, where the case for direct Government investment is strongest. This investment needs to be seen in the context of the overall FE and skills resource budget reducing by 25% between the 2011-12 and 2014-15 financial years.

Alongside this prioritisation, the Government wants to provide a means for all those wishing to undertake intermediate and higher level training courses to do so. The benefit to the individual of this training is higher and it is considered right that they should make a greater contribution to the costs of that training.

From 2013/14 the Government will therefore introduce a system of loans alongside the removal of public grant funding, for learners aged 24 and over undertaking intermediate and higher level courses.

There will be no upfront payment; nothing to pay back until the individual is earning £21,000 or more; low rates of interest; and any outstanding balance written off after 30 years. If the learner's income falls below this amount then repayment will be suspended until they reach this earnings threshold again.

The Government has made £129 million available for 24+ Advanced Learning Loans in the 2013-14 financial year and £398 million in the 2014-15 financial year.

24+ Advanced Learning Loans will mirror the Student Loans available within HE. They will be administered by the Student Loans Company, which will be responsible for the assessment of the loan application, payment of the loan and, in partnership with HM Revenue and Customs, recovery of the loan. The Government will ensure that everyone – potential learners, colleges, training organisations, employers and providers of advice and guidance – has the information they need about how 24+ Advanced Learning Loans will work.

Alongside the introduction of 24+ Advanced Learning Loans, Discretionary Learner Support funding will be available in 2013/14 for colleges and training organisations to use as required to support learner participation.

### **Who will be eligible for 24+ Advanced Learning Loans?**

Learners aged 24 and over undertaking a publicly funded qualification at Level 3 and above on the Qualification and Credit Framework will be able to access FE 24+ Advanced Learning Loans.

*New Challenges, New Chances: Next Steps in Implementing the Further Education Reform Programme Further Education Loans: Annex A* sets out the details of the FE loans policy such as loan amounts, learner eligibility and course eligibility.

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<sup>5</sup> Further Education – 24+ Advanced Learning Loans Equality Impact Assessment

To summarise: the new FE loans – to be called **24+ Advanced Learning Loans** - will apply to all provision at level 3/4 for learners aged 24 and over from 2013/14. Eligible courses will cover a wide range and will include Access to HE courses as well as Advanced and Higher Level Apprenticeships. Loans will cover the learner fee contribution only and will not be available for maintenance. Fee remission will be removed for all learners starting new courses at level 3 and above from 2013/14. Loans will be repaid on an income-contingent basis in line with the approach used for higher education fee loans

Colleges and training providers as independent organisations are free to determine learner fees, so fees rates may vary between providers. Currently FE providers are allocated government funding at specified rates for particular types of courses, this funding methodology is under review. A maximum loan rate has not been announced.

Learners may choose to take out a loan to cover the full cost of the course, or a loan for a proportion of the cost, however there will be a minimum loan amount:

There will be a minimum loan amount, reflecting the administrative overheads incurred by the SLC and HMRC. The minimum amount will also reduce the risk of over repayments by learners. The amount has yet to be finalised but is expected to be in the region of £200-£500.<sup>6</sup>

Loans will be available for students who are resident in the UK and who have not previously had an FE Loan to do the same type and level of qualification; loans will not be means tested.

Under this new system level 3+ provision in FE will be funded by learners loans sent direct to the college, rather than colleges and training organisations receiving government grant funding. This system will therefore be similar to the funding system in HE where the cost of provision has shifted to students taking out loans for fees rather than public funding through the block grant.

Loans will be administered through the Student Loan Company. The repayment process for loans and interest rates charged will be the same as for HE student loans in 2013/14.

The rationale for the loans was given in an article in the *Guardian* in June 2012:

A BIS spokesperson says: "The government has prioritised available public investment in further education to support young people and those with low skills. Alongside this prioritisation, the government wants to provide a means for all those wishing to undertake intermediate and higher-level training courses to do so. The benefit to the individual of this training is higher and it is considered right that they should make a greater contribution to the costs of that training."<sup>7</sup>

The latest information on FE loans is given in a publication by the Skills Funding Agency (SFA) [Further Education \(FE\) Loans Frequently Asked Questions](#) version 1.1 update February 2012

## **4 Impact of the proposed scheme**

BIS have published several impact assessments on the loan scheme:

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<sup>6</sup> [New Challenges, New Chances: Next Steps in Implementing the Further Education Reform Programme Further Education Loans](#) p13

<sup>7</sup> ["Loans policy will discourage adults from further education"](#) *Guardian* 4 June 2012

- [Impact Assessment Further Education - Level 3+ loans](#) 26 July 2011
- [Further Education Loans: Equalities screening impact assessment](#) August 2011
- [Impact Assessment Further Education - 24+ Advanced Date: 08/06/2012 Learning Loans](#) 8 June 2012
- [Further Education – 24+ Advanced Learning Loans Equality Impact Assessment](#)

A BIS Research Paper 73 [Attitudes to Further Education Loans](#) May 2012 concluded the following on the potential impact of the loan scheme:

#### **What is the likely impact on participation?**

Overall the research shows that 74% of those likely to study at Level 3 aged 23+ said that they at least might take a course, and just over half (58%) at least might take out a loan to do this.

[...]

The survey shows that those in the younger age groups (24-29), Asian and Black respondents, and those unemployed and seeking work were more likely than average to say they would still study and take up a loan under at least some circumstances. Attitudes to debt did not appear to be strongly linked to attitudes to loans and women were only marginally less (statistically insignificant) likely to say they would take a course than men.

From the evidence in our findings, the groups at greatest risk of being deterred from study are older groups who are debt-averse and who are wary of a return to an education system that they do not feel is geared towards them. They were less inclined to see FE as an 'investment' in themselves and their future, and thus more concerned about taking on debt in order to fund it; they were also more likely to object to paying for education on principle. Thus rather than seeing loans as giving them access to something positive, they focussed on 'loss' and gave up on the idea altogether.<sup>8</sup>

## **5 Parliamentary debate**

A large number of parliamentary questions have been asked on these loans, many by Gordon Marsden MP. The responses to these questions provide useful detail on the scheme, below is a selection of these PQs:

#### **Students: Loans**

**Mr Marsden:** To ask the Secretary of State for Business, Innovation and Skills whether his Department is commissioning the design and purchase of a computer system to administer 24+ Advanced Learning Loans through the Student Loans Company; what the likely costs are of the computer system; and what the timetable is for the project to be operational. [111791]

**Mr Hayes**[holding answer 14 June 2012]: To make available 24+ Advanced Learning Loans, we are building on systems already in place for higher education, working with the Student Loans Company and HM Revenue and Customs. In doing so, the use of existing technical architecture will be supplemented with some new service hardware

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<sup>8</sup> BIS Research Paper 73 [Attitudes to Further Education Loans](#) May 2012 p34

components and platform upgrades. Our emphasis is on minimising additional cost and bureaucracy.

The loans system will go live on 31 March 2013.

**Mr Marsden:** To ask the Secretary of State for Business, Innovation and Skills what eligibility there will be for 24+ learners to access Advanced Learning Loans for a qualification at the same level as already obtained, but in a different subject area. [112488]

**Mr Hayes***[holding answer 18 June 2012]:* There will be no restrictions to accessing loans based upon prior attainment. However, where an individual has already had access to a 24+ Advanced Learning Loan to complete a course they would not be eligible to receive a subsequent loan to complete the same type of course at the same level, even if that was in a different subject area. Learners will be eligible to receive subsequent loans to undertake courses at different levels or of different types in order to support progression.

**Mr Marsden:** To ask the Secretary of State for Business, Innovation and Skills what marketing budget will be made available to inform potential learners about the availability of 24+ Advanced Learning Loans in financial years (a) 2012-13 and (b) 2013-14. [112489]

**Mr Hayes***[holding answer 18 June 2012]:* We want to ensure potential learners eligible for loans have the facts they need to make an informed choice. We will use a broad range of routes to communicate with potential learners, including the National Careers Service, colleges and training organisations, employers and trade union representatives. We will also use routes to communicate with specific groups such as prisoners and the unemployed.

We are developing information materials for potential learners which will be available through these routes, drawing on the research published by the Department for Business, Innovation and Skills on 11 May on learner attitudes to loans, and on further research with learners. The communications budget will reflect the outcome of this work.

**Mr Marsden:** To ask the Secretary of State for Business, Innovation and Skills what discussions his Department has had with the National Careers Service about the implications for take-up by learners aged 35 and above of 24+ Advanced Learning Loans of his Department's market research on attitudes towards implementation of a loans scheme. [112490]

**Mr Hayes***[holding answer 18 June 2012]:* The National Careers Service will be a key source of information about 24+ Advanced Learning Loans for learners considering studying from the 2013/14 academic year onwards. We are working with the Skills Funding Agency to ensure that National Careers Service advisers have the information they need about loans.

We are developing information materials on 24+ Advanced Learning Loans that will be available to the National Careers Service as well as other organisations that have contact with potential learners, including colleges and training organisations. These materials will be developed drawing on the research published by the Department for Business, Innovation and Skills on 11 May. Further research will be undertaken to test the materials, particularly with those aged 40 and above whom the research shows are less likely to respond positively to loans.

**Mr Marsden:** To ask the Secretary of State for Business, Innovation and Skills what consultation he has had with organisations representing post-24 learners with special educational needs about support to access advanced learning loans and to manage them. [112838]

**Mr Hayes:** In August 2011 the Government held a public consultation on proposals contained in 'New Challenges, New Chances', including 24+ Advanced Learning Loans. The Government received responses from a wide range of organisations including those representing post-24 learners with special educational needs. ([HC Deb 19 June 2012 c991W](#))

#### **Students: Loans**

**Mr Marsden:** To ask the Secretary of State for Business, Innovation and Skills what identification and information the Student Loans Company will require from those applying for a 24+ Advanced Learning Loan in order to assess eligibility. [111794]

**Mr Hayes***[holding answer 14 June 2012]*: In line with current practice for HE loans, for identification the Student Loans Company (SLC) will require a UK passport number which will be checked with the Identity and Passport Service. For non UK Passport holders, the SLC will require their passport, and for those with no passport, the SLC will require a birth certificate.

Application forms, to gather further information with which the SLC can assess eligibility, will require:

Personal details (name, sex, date of birth, place of birth, nationality)

National insurance number (required for repayment purposes)

Contact details (address, phone number, e-mail address)

Residential status (including residence history)

Details of previous support from SLC

Details of the Training provider

Details of the course the loan is required for ([HC Deb 18 June 2012 c705W](#))

#### **Students: Loans**

**Mr Marsden:** To ask the Secretary of State for Business, Innovation and Skills what assessment he has made of the potential effects on education provision for people aged 16 to 24 of the introduction of 24+ Advanced Learning Loans. [111792]

**Mr Hayes:** The introduction of 24+ Advanced Learning Loans will not affect the funding available for Further Education for those aged under 24, or for adults of any age accessing provision at Level 2 or below. Government grant funding for Further Education is being focused on young people, those with low skills and those seeking work.

**Mr Marsden:** To ask the Secretary of State for Business, Innovation and Skills what assessment he has made of the potential effects on the public finances of the introduction of 24+ advanced learning loans in (a) 2013-14 and (b) 2014-15. [111795]

**Mr Hayes:** The Department for Business, Innovation and Skills will publish a Regulatory Impact Assessment of 24+ Advanced Learning Loans following clearance



by the Regulatory Reform Cabinet Committee. This will include an assessment of the costs and benefits of introducing loans. ([HC Deb 14 June 2012 c595](#))

### 5.1 Early Day Motion 2967: Further Education Loans

In the 2010-12 parliamentary session Alan Meale MP tabled [EDM 2967](#) Further Education Loans which received 18 signatures:

That this House is aware that many UK students in further education currently pay 50 per cent of their tuition fees, while the state pays the rest; is alarmed about the Government's latest intention that by the year 2013-14 anyone aged 24 years or over, who wants to study at education level 3 or above, will then have to pay the full cost of their tuition via a student loan rather than through any upfront fees; is therefore deeply concerned that the Student Loans Company (SLC) has little time and too few resources to develop an adequate system able to administer such changes, especially as there exists at the present time insufficient information, advice, guidance and formal structures relating to such changes; and calls on the Government to cancel the introduction of this approach until at least a proper assessment is made of the likely impact it would have on both the SLC and students who have little or no previous experience of loans.

## 6 Comment

The National Institute for Adult Continuing Education (NIACE) published a booklet in January 2012 Adults Learning Extra: [Perspectives on further education loans](#) which contained comments on FE loans from a wide range of people involved in the FE sector, below are a few of their remarks:

**Lynne Sedgmore is Executive Director of the 157** Group of large further education colleges

While we understand the financial logic, introducing further education loans at Level 3 from 2013 is a major step into the unknown for the UK. As far as the 157 Group is aware, the only advanced country with remotely similar arrangements is New Zealand where fees are leading to skills shortages as high costs discourage participation. We fear similar consequences in England. Further education (FE) loans may impact on choice and hit STEM subjects hardest. Learners will have to take out bigger loans if they wish to study these subjects, which typically cost more to deliver. By contrast, STEM subjects in higher education will still be subsidised.

FE loans could damage Access to HE courses. The *Times Educational Supplement* reported last summer that 'access-to-higher education courses could be threatened by changes that will see students seeking a second chance in education paying five times more in fees'. The government's own Advocate for Access, Simon Hughes MP, recommends that 'The government should consider the reclassification of access courses in FE colleges so that they will be eligible for funding for students over the age of 24 in the future'.

Most importantly, FE loans may damage equality and social mobility. Access course learners – 70 per cent women and 27 per cent ethnic minority – are typically seeking entry to lower-paid professions – nursing, teaching and social work. Without the prospect of a highly paid career, the fear of increased debt is very likely to put people off unless a major culture change and transition support process is put in place.<sup>9</sup>

### **Toni Pearce is Vice President (Further Education), National Union of Students**

The National Union of Students has grave concerns about the proposed system of loans and the increase in fees for Level 3 qualifications. This is a reckless policy about which the evidence of its impact is at best uncertain and at worst indicates a significant drop in adult participation.

The introduction of student loans in further education comes at a time of considerable flux in adult education funding, with previous cuts reducing the number of adult learners accessing courses over a number of years, confused changes to fee remission proposed then partially withdrawn, and the Adult Learning Grant withdrawn.

In this context comes the latest proposal on fees and loans to support them. When even the government's own impact assessment suggests that a 20 per cent reduction in the number of adult learners will be necessary simply for the scheme to stay in budget, and the decline in enrolments may be as much as 40 per cent, it is clear the main driver of this policy is to achieve a reduction in government costs.

It is naïve to assume that the same underpinnings for the system in higher education exist in further education, or that the effects on providers or learners will be similar. A critical distinction is the complete lack of any statutory maintenance support for adult learners.

These proposals are not only a threat to aspiration and social mobility, but to the competitiveness of the UK economy at a time when the importance of a highly skilled workforce has never been greater.

### **Julian Gravatt is Assistant Chief Executive of the Association of Colleges**

Anyone who has explored the issue of FE loans realises quickly that it will be very complicated but also that there are few obvious alternatives given the public spending situation. The obvious Plan B is not to introduce loans at all but this means turning down a new source of government funding and facing the need to spread the Adult Skills Budget over a wider number of people from 2013.

This does not mean that the timing of the new scheme should not be reviewed. If there are significant problems with administrative issues, then it may be better to delay than to introduce the scheme badly. We do have a number of specific suggestions, a few of which I detail here:

The Department for Business, Innovation and Skills (BIS) and the National Apprenticeship Service should work quickly on an alternative plan for 2013/14 which involves using the money earmarked for apprenticeship loans (£42 million in the first year) for a state aid compliant loan scheme for employers.

BIS should review the allocation of its maintenance grant and fee loan budgets between higher and further education and switch funds between the two sectors. This would mean less grant expenditure on higher education students from middle-income families (e.g. in the £30,000 to £50,000 range) but higher maintenance loans to compensate. The money saved could be used to exempt particular categories of students from the need to take FE loans, for example those taking Access courses in particular areas or those on income-related benefits.

BIS should review the flexibilities in the current rules to ensure that FE loans are used where they will be most effective. We believe that BIS and the Student Loan Company

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<sup>9</sup> The 157 Group have a separate publication [Further Education Loans Issues and Options](#)

should set up arrangements to monitor the use of FE loans by non-UK EU citizens, by older students and by those with higher education qualifications. The risk is that available loan funds will be used in ways that do not fit with priorities. For this reason, we think it is sensible to consider whether access to FE loans should be restricted for higher-rate taxpayers.

BIS should make arrangements with the Treasury for a longer-term budget and for a different approach to annual budgetary control. There does not seem to be a good case in principle for managing £3 billion HE loans expenditure with a relatively light touch while nailing down the £300 million FE loan budget with annual budgets. It also seems odd to introduce a major new programme with a budget lasting just 18 months (i.e. until March 2015). The Treasury provides indicative budgets for other areas of capital expenditure so could do so here.

Finally, BIS should commission an evaluation of the impact of FE loans to recognise the fact that this is a major policy innovation and has various consequences for the organisation of education and skills in England.

FE loans have also been discussed in newspaper articles:

- [“Further education loans are a gamble too far for adult learners”](#) *Guardian* 2 April 2012
- [“Loans policy will discourage adults from further education”](#) *Guardian* 4 June 2012